

January 26, 2000



North Dakota REV-E-NEWS

**From Rod Backman, Director
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RFA expects the Federal Reserve to tighten monetary policy again in early February. They expect policymakers to raise the federal funds rate by 25 basis points to 5.75 percent. Pressure to tighten the monetary policy is the result of fears of accelerating inflation due to the expanding economy and tightening labor market nationally. In addition, the recent surge in equity prices add to that pressure.

Good news for North Dakota revenues is the fact that oil prices are remaining strong - in the range of \$25 per barrel - more than double that of one year ago. RFA believes oil prices are unlikely to fall back anytime soon,

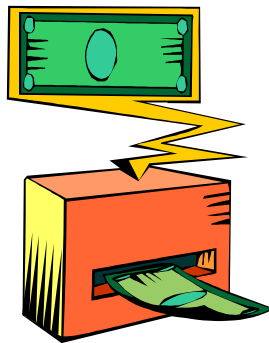
but also do not expect the prices to spike much above the current levels either.

Another positive note - taxable sales and purchases for the third quarter of 1999 were up 8.9 percent over the same period one year ago. This is a good indication that we should see continued strength in our sales tax collections.

As of the end of December, total biennium-to-date collections are ahead of the forecast by \$2.8 million.



Transfers from the Bank of North Dakota



The Bank of North Dakota transferred \$15 million of profits to the general fund in December. After this \$15 million transfer, \$35 million of the bank's profits remain to be transferred to the general fund by the end of the current biennium.

Oil Activity

Six oil rigs are operating in North Dakota currently compared to the same number a year ago. Oil production in November averaged 89,339 barrels of oil per day.

The price of sweet crude in December was \$21.74 per barrel compared to the forecast of \$10.93 per barrel. The current price of oil is in the range of \$25 per barrel.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
1999-01 BIENNIUM
DECEMBER, 1999

| REVENUES AND TRANSFERS | FISCAL MONTH | | | | BIENNIUM TO DATE | | | |
|-------------------------------------|----------------------|----------------------|---------------------|--------------|-----------------------|-----------------------|---------------------|-------------|
| | Legislative Forecast | Actual | Variance | Percent | Legislative Forecast | Actual | Variance | Percent |
| Sales Tax | \$ 22,848,100.00 | \$ 21,256,715.25 | (1,591,384.75) | -7.0% | \$ 152,421,200.00 | \$ 152,778,981.59 | 357,781.59 | 0.2% |
| Motor Vehicle Excise Tax | 3,957,000.00 | 4,321,140.27 | 364,140.27 | 9.2% | 26,821,000.00 | 27,378,970.64 | 557,970.64 | 2.1% |
| Individual Income Tax | 3,934,000.00 | 3,965,127.94 | 31,127.94 | 0.8% | 70,898,000.00 | 74,575,335.05 | 3,677,335.05 | 5.2% |
| Corporate Income Tax | 4,126,000.00 | 4,103,748.66 | (22,251.34) | -0.5% | 20,207,000.00 | 13,560,065.92 | (6,646,934.08) | -32.9% |
| Insurance Premium Tax | 1,130,000.00 | 1,499,090.28 | 369,090.28 | 32.7% | 6,551,000.00 | 6,539,687.10 | (11,312.90) | -0.2% |
| Financial Institutions Tax | 4,000.00 | 81,904.00 | 77,904.00 | 1947.6% | 150,000.00 | 570,413.00 | 420,413.00 | 280.3% |
| Oil & Gas Production Tax | 947,000.00 | 1,483,552.25 | 536,552.25 | 56.7% | 5,349,000.00 | 7,325,919.05 | 1,976,919.05 | 37.0% |
| Gaming Tax | 54,000.00 | 18,709.00 | (35,291.00) | -65.4% | 5,731,000.00 | 5,991,769.17 | 260,769.17 | 4.6% |
| Interest Income | 471,000.00 | 766,027.19 | 295,027.19 | 62.6% | 2,530,000.00 | 3,042,090.98 | 512,090.98 | 20.2% |
| Oil Extraction Tax | 579,000.00 | 983,198.06 | 404,198.06 | 69.8% | 3,255,000.00 | 5,511,354.96 | 2,256,354.96 | 69.3% |
| Cigarette and Tobacco Tax | 1,729,000.00 | 1,645,650.05 | (83,349.95) | -4.8% | 11,321,000.00 | 11,398,632.24 | 77,632.24 | 0.7% |
| Departmental Collections | 2,400,000.00 | 1,492,414.12 | (907,585.88) | -37.8% | 8,150,000.00 | 7,251,487.82 | (898,512.18) | -11.0% |
| Wholesale Liquor Tax | 459,143.00 | 410,256.90 | (48,886.10) | -10.6% | 2,279,592.00 | 2,294,737.32 | 15,145.32 | 0.7% |
| Coal Severance Tax | 935,000.00 | 951,224.50 | 16,224.50 | 1.7% | 5,667,000.00 | 5,669,331.64 | 2,331.64 | 0.0% |
| Coal Conversion Tax | 1,030,000.00 | 1,039,490.89 | 9,490.89 | 0.9% | 6,116,000.00 | 6,000,299.60 | (115,700.40) | -1.9% |
| Mineral Leasing Fees | 220,000.00 | 265,608.90 | 45,608.90 | 20.7% | 1,320,000.00 | 1,543,299.57 | 223,299.57 | 16.9% |
| Bank of North Dakota - Transfer | 15,000,000.00 | 15,000,000.00 | | | 15,000,000.00 | 15,000,000.00 | | |
| State Mill and Elevator - Transfer | | | | | | | | |
| Gas Tax Admin. - Transfer | | | | | 345,152.00 | 345,152.00 | 0.00 | 0.0% |
| Other Transfers | | 4.49 | 4.49 | 100.0% | 1,700,000.00 | 1,850,618.83 | 150,618.83 | 8.9% |
| Total Revenues and Transfers | 59,823,243.00 | 59,283,862.75 | (539,380.25) | -0.9% | 345,811,944.00 | 348,628,146.48 | 2,816,202.48 | 0.8% |

COMPARISON TO PREVIOUS BIENNIUM REVENUES
1999-01 BIENNIUM
DECEMBER, 1999

| REVENUES AND TRANSFERS | FISCAL MONTH | | | | BIENNIUM TO DATE | | | |
|-------------------------------------|-------------------------|-------------------------|------------------------|--------------|--------------------------|--------------------------|-------------------------|-------------|
| | December, 1997 | December, 1999 | Variance | Percent | 1999 | 2001 | Variance | Percent |
| Sales Tax | \$ 20,873,825.56 | \$ 21,256,715.25 | \$ 382,889.69 | 1.8% | \$ 139,001,526.54 | \$ 152,778,981.59 | \$ 13,777,455.05 | 9.9% |
| Motor Vehicle Excise Tax | 3,022,151.84 | 4,321,140.27 | 1,298,988.43 | 43.0% | 25,207,885.82 | 27,378,970.64 | 2,171,084.82 | 8.6% |
| Individual Income Tax | 3,588,246.40 | 3,965,127.94 | 376,881.54 | 10.5% | 67,487,354.97 | 74,575,335.05 | 7,087,980.08 | 10.5% |
| Corporate Income Tax | 4,305,011.30 | 4,103,748.66 | (201,262.64) | -4.7% | 23,347,057.65 | 13,560,065.92 | (9,786,991.73) | -41.9% |
| Insurance Premium Tax | 1,129,034.22 | 1,499,090.28 | 370,056.06 | 32.8% | 5,893,156.29 | 6,539,687.10 | 646,530.81 | 11.0% |
| Financial Institutions Tax | 10,280.00 | 81,904.00 | 71,624.00 | 696.7% | 218,319.89 | 570,413.00 | 352,093.11 | 161.3% |
| Oil & Gas Production Tax | 2,137,725.48 | 1,483,552.25 | (654,173.23) | -30.6% | 8,195,765.65 | 7,325,919.05 | (869,846.60) | -10.6% |
| Gaming Tax | 53,763.60 | 18,709.00 | (35,054.60) | -65.2% | 5,730,148.48 | 5,991,769.17 | 261,620.69 | 4.6% |
| Interest Income | 452,811.85 | 766,027.19 | 313,215.34 | 69.2% | 4,407,757.23 | 3,042,090.98 | (1,365,666.25) | -31.0% |
| Oil Extraction Tax | 1,377,310.32 | 983,198.06 | (394,112.26) | -28.6% | 5,789,856.30 | 5,511,354.96 | (278,501.34) | -4.8% |
| Cigarette and Tobacco Tax | 1,698,304.54 | 1,645,650.05 | (52,654.49) | -3.1% | 11,889,252.68 | 11,398,632.24 | (490,620.44) | -4.1% |
| Departmental Collections | 2,993,182.79 | 1,492,414.12 | (1,500,768.67) | -50.1% | 8,148,165.37 | 7,251,487.82 | (896,677.55) | -11.0% |
| Wholesale Liquor Tax | 391,955.28 | 410,256.90 | 18,301.62 | 4.7% | 2,803,079.32 | 2,294,737.32 | (508,342.00) | -18.1% |
| Coal Severance Tax | 917,537.52 | 951,224.50 | 33,686.98 | 3.7% | 5,392,216.38 | 5,669,331.64 | 277,115.26 | 5.1% |
| Coal Conversion Tax | 985,753.20 | 1,039,490.89 | 53,737.69 | 5.5% | 5,809,730.54 | 6,000,299.60 | 190,569.06 | 3.3% |
| Mineral Leasing Fees | 1,125,636.65 | 265,608.90 | (860,027.75) | -76.4% | 3,183,340.03 | 1,543,299.57 | (1,640,040.46) | -51.5% |
| Bank of North Dakota - Transfer | | 15,000,000.00 | 15,000,000.00 | 100.0% | | 15,000,000.00 | 15,000,000.00 | 100.0% |
| State Mill and Elevator - Transfer | | | | | | | | |
| Gas Tax Admin. - Transfer | | | | | 282,218.00 | 345,152.00 | 62,934.00 | 22.3% |
| Other Transfers | 4,982,634.68 | 4.49 | (4,982,630.19) | -100.0% | 9,979,536.39 | 1,850,618.83 | (8,128,917.56) | -81.5% |
| TOTAL REVENUES AND TRANSFERS | \$ 50,045,165.23 | \$ 59,283,862.75 | \$ 9,238,697.52 | 18.5% | \$ 332,766,367.53 | \$ 348,628,146.48 | \$ 15,861,778.95 | 4.8% |

Revenue Variances

Sales tax revenues in December fell below forecast by \$1.6 million or 7.0 percent. The most likely reason for the shortfall is timing. Sales tax collections in early January were strong and we expect this shortfall will be picked up in the next month's revenues. Biennium-to-date collections are now \$357,781 or 0.2 percent ahead of projections.

Collections for motor vehicle excise taxes exceeded monthly projections by \$364,140 or 9.2 percent. Biennium-to-date collections are now \$557,971 or 2.1 percent ahead of projections.

Individual income tax collections were almost right on target, exceeding the mark by only \$31,128 or 0.8 percent. Biennium-to-date collections are \$3.7 million or 5.2 percent ahead of projections.

Corporate income tax collections fell below the monthly forecast by a mere \$22,251 or 0.5 percent, which is good news compared to the shortfalls in the last three months. Biennium-to-date collections are \$6.6 million or 32.9 percent below projections.

Now that the bulk of the refunds have gone out, this situation should start turning around.

Oil and gas production tax exceeded monthly projections by \$536,552 or 56.7 percent while oil extraction tax collections exceeded monthly projections by \$404,198 or 69.8 percent. Biennium-to-date collections for the two oil taxes combined amount to over \$4 million in excess of projections - all of it as a result of strong oil prices.

Comments or Questions???

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